

Tempting But Confusing and Dangerous: Paying Volunteers Just a Little Something



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A thoughtful, appreciative board or executive director may want to pay a nonprofit's volunteers "just a little something" beyond reimbursing individual volunteers for their expenditures on the organization's behalf. Some nonprofits rationalize a monetary gift as a demonstration of thanks for the loyalty volunteers have shown to the organization: "Buy yourself something you like as a reminder of how much we like and need you." Or the "little something" may be offered as token compensation for the countless gallons of gas and miles of wear that volunteers put on their cars as they so willingly drive to and from the nonprofit ("Helping you get here is the least we can do, when you do so much for us.").

Any nonprofit executives who find themselves thinking or saying these words should find better ways to say, "Thanks, please stay," to their volunteers. The "little something" paid periodically to all volunteers may seem like a nice way to thank them for the time they so graciously give to the nonprofit, but may raise serious issues and yield unwanted tax consequences for the nonprofit and volunteer.

Paying volunteers money or anything of value that can reasonably be construed to be *in exchange for their work* is confusing and potentially dangerous to your nonprofit, and even to the volunteers you're trying to reward. The basic source of the confusion and the danger is that the law draws sharp distinctions between employees and volunteers. The precise distinctions vary among jurisdictions, but the almost universal point of difference is that employees get paid for their work — volunteers do not. Pay a volunteer *for his or her work* and you've transformed the former volunteer into an employee — or at least you've created a plausible basis for that person (or perhaps someone else) to claim he or she is an employee of your nonprofit.

Why Claim Employee Status?

A person who joined your nonprofit's staff as a volunteer, or so you've always thought, may have several reasons for claiming employee status:

1. If your nonprofit terminates this person as a volunteer for any reason, he or she, claiming to be a paid employee, may file for unemployment compensation benefits or may sue for wrongful termination of employment.
2. If this person becomes ill or is injured off the job, he or she may assert entitlement to the health insurance benefits your nonprofit gave all its "other employees."

3. As this person approaches retirement age, he or she may demand pension benefits like your “other employees” receive, or may sue for having been wrongfully deprived of eligibility to participate in your pension plan.
4. If this person dies while still working for your nonprofit, his or her surviving dependents may go to court, arguing that — because you paid the deceased from time to time — they should receive the same life insurance benefits you provide to the families of “other employees.”
5. If, now or in the future, this person becomes very angry with your nonprofit or with one of its leaders, the volunteer may start destructive rumors, or may go to the media, bringing adverse publicity, decreased donations, and possibly regulators’ scrutiny by claiming that your organization violates the wage and hour laws by paying staff members less than the required minimum wage.

Any of these five sets of circumstances can impose costs on your nonprofit that are much greater than the largely intangible benefits it gains by paying its volunteers “just a little something.” When the potential costs substantially exceed the probable benefits, sound management calls for finding less risky, more responsible alternatives. There are some ready, effective alternatives for retaining, motivating, and thanking all your productive, generous volunteers.

There are Better Ways

The two primary reasons a nonprofit’s board or executive director may be tempted to pay its volunteers are (1) to cover their expenses for their work and (2) to motivate their continuing efforts for the nonprofit.

The two straight-forward ways to cover volunteers’ expenses are (1) to reimburse individual volunteers for particular amounts they can document having spent for the nonprofit and (2) for expenses that are more difficult to document (such as for commuting or lunches) a uniform monthly allowance that, on the average give or take a dollar or two, covers each volunteer’s costs. Either of these two payment procedures accomplishes the reimbursement objective more logically, openly, predictably, and defensibly than the “just a little something” approach.

Those who volunteer for nonprofits generally do not do so for the money; if they wanted money from their nonprofit efforts, they would become its employees. Instead, most volunteers labor because they believe in a given nonprofit’s mission. Beyond the mission, they may seek others’ gratitude for their selfless work, opportunities to work with or lead others, or perhaps community recognition.

Most volunteers don’t work for “just a little something” in their wallets or checking accounts. Therefore, to reward, motivate, and hold good volunteers incentives such as volunteer-only social events, “outstanding volunteer(s) of the year” awards, and newspaper articles about volunteers’ group achievements can be particularly effective. These rewards require more than “just a little something” from the board or CEO. They require some creative effort, originality, and personal attention from a nonprofit’s leadership. They require more personal effort and attention from the leaders, but ultimately they mean more to the volunteers whom the leaders wish to inspire and to the successful pursuit of your shared mission.

George Head was a special advisor to the Nonprofit Risk Management Center at the time of this publication.